

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:03

PLR-140511-14

Date:

April 28, 2015

Legend

Distributing 3 =

Distributing 2 =

Distributing 1 =

Sub 1 =

LLC 1 =

LLC 2 =

LLC 3 =

Third Parties =

State A =

Business A =

Business B =

Business C =

a =

b =

Dear :

This letter responds to your letter dated October 28, 2014, requesting rulings on certain federal income tax consequences of the Proposed Transaction (defined below). The information provided in that letter and in later correspondence (together, the "Ruling Request") is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by the appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, regarding one or more significant issues under §§ 332, 351, 355, 368, or 1036. The rulings contained in this letter only address one or more discrete legal issues involved in the transaction. This office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the rulings below.

Summary of Facts

Distributing 3 is a widely held, public company that is the common parent of an affiliated group of corporations filing a consolidated federal income tax return. Distributing 3 owns all of the stock of Distributing 2, which owns all of the stock of Distributing 1. Distributing 1 owns all of the interests of Sub 1, all of the interests in LLC 3 and, directly and through Sub 1, all of the interests of LLC 1. LLC 1 owns all of the interests in LLC 2. LLC 3 and LLC 2 each is disregarded as an entity separate from its

owner for federal tax purposes (a “DRE”). LLC 1 is classified as a partnership for federal tax purposes. Sub 1 is classified as a corporation for federal tax purposes. Distributing 2 conducts Business A; LLC 2 conducts Business B; and LLC 3 conducts Business C.

Distributing 1 and Sub 1 previously acquired all of the minority interests of LLC 1 held by Third Parties in exchange for cash of approximately \$a million and b shares of Distributing 3 stock (the “Exchanges”). Following the Exchanges, LLC 1 distributed all of the interests of LLC 3 to Distributing 1. Distributing 1 has recently conducted negotiations and is currently evaluating one or more possible acquisitions or combination transactions (the “Acquisitions”). Distributing 1 believes it is highly likely that the company will pursue one or more Acquisitions following the Distributing 1 External Distribution (defined below), and the potential to complete an Acquisition is, in part, motivating the Distributing 1 External Distribution.

Proposed Transaction

Distributing 3 and its affiliates propose to undertake the following steps (collectively, the “Proposed Transaction”) in the order set forth below:

1. LLC 3 will elect under Treas. Reg. § 301.7701-3 to be treated as a corporation for federal tax purposes (the “LLC 3 Election”).
2. Distributing 1 will distribute all of the interests in LLC 3 to Distributing 2 (the “LLC 3 Distribution”) in a transaction that together with the LLC 3 Election is intended to qualify as a reorganization under §§ 368(a)(1)(D) and 355.
3. Distributing 2 will form LLC 4, a State A limited liability company classified as a DRE.
4. LLC 3 will merge with and into LLC 4, with LLC 4 surviving (the “LLC 3 Liquidation”) in a transaction intended to qualify as a complete liquidation under § 332.
5. Distributing 2 will distribute all of the stock of Distributing 1 to Distributing 3 (the “Distributing 1 Internal Distribution”) in a transaction intended to qualify under § 355.
6. Distributing 3 will distribute all of the stock of Distributing 1 pro rata to its shareholders (the “Distributing 1 External Distribution”) in a transaction intended to qualify under § 355.

Rulings

Based solely on the information submitted, we rule as follows:

1. Provided the Acquisitions are treated as pursuant to a plan under § 355(e)(2)(A)(ii), the increases in the percentage of either voting power or value of the stock of Distributing 1, Distributing 2, or Distributing 3 acquired, directly or indirectly, by Third Parties in the Exchanges will be treated as acquisitions that are taken into account for purposes of § 355(e) only after reducing such increases for any dilution, directly or indirectly, in such respective interests resulting from any Acquisition.
2. The LLC 3 Election will be respected for purposes of the LLC 3 Distribution notwithstanding the subsequent LLC 3 Liquidation. See Rev. Rul. 2003-79, 2003-2 C.B. 80; Rev. Rul. 98-27, 1998-1 C.B. 1159.
3. Neither Distributing 1 nor any of its affiliates will be treated as a “successor” to Distributing 3 or any of its affiliates for purposes of § 1504(a)(3). Therefore, Distributing 1 and its direct and indirect subsidiaries that are “includible corporations” (under § 1504(b)) and satisfy the ownership requirements of § 1504(a)(2) will be members of an affiliated group of corporations entitled to file a consolidated federal income tax return with Distributing 1 as the common parent immediately following Distributing 1 External Distribution.

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the proposed transaction under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from the proposed transaction that is not specifically covered by the above rulings. In particular, no opinion is expressed or implied whether any of the distributions are part of a plan (or a series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing 50 percent or greater interest in the distributing corporation or the controlled corporation. See § 355(e) and Treas. Reg. § 1.355-7.

Procedural Statements

This ruling letter is directed only to the taxpayers who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter must be attached to the federal income tax return of each taxpayer involved for the taxable year in which the transactions described herein are completed. Alternatively, a taxpayer filing its return electronically may satisfy this

requirement by attaching a statement to its federal income tax return that sets forth the date and control number of this ruling letter.

Under a power of attorney on file in this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: